

# PROPOSED RESOLUTION

Resolution W-5104  
WD

Agenda ID #15050 (Rev. 1)  
Item #7

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5104  
September 15, 2016

### RESOLUTION

(RES. W-5104) DEL ORO WATER COMPANY, JOHNSON PARK AND RIVER ISLAND DISTRICTS. ORDER AUTHORIZING A SURCHARGE OF \$3.31 PER MONTH PER CUSTOMER FOR TWELVE MONTHS IN THE JOHNSON PARK DISTRICT AND A SURCHARGE OF \$4.71 PER MONTH PER CUSTOMER FOR EIGHTEEN MONTHS IN THE RIVER ISLAND DISTRICT TO RECOVER THE STATEWIDE LOST REVENUE RECOVERY MEMORANDUM ACCOUNTS.

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### SUMMARY

By Advice Letters 448 and 451, each filed on April 29, 2016, Del Oro Water Company, a Class B water utility, seeks to recover the lost revenues adjusted for drought-related changes in operational costs, as a result of the Johnson Park District's and River Island District's implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan as recorded in its Statewide Lost Revenue Recovery Memorandum Account<sup>1</sup>, from April 1, 2014 through December 31, 2015.

This Resolution grants a surcharge of \$3.31 per month per customer, for twelve months for Del Oro Water Company's Johnson Park District and a surcharge of \$4.71 per month per customer, for eighteen months for Del Oro Water Company's River Island District, to recover the lost revenues, adjusted for changes in operational costs, incurred in the Statewide Lost Revenue Recovery Memorandum Account.

### BACKGROUND

On January 17, 2014, Governor Edmund G. Brown Jr., proclaimed a Drought State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions. In accordance with the Governor's directives, the Commission issued Resolution W-4976 adopting drought procedures for water conservation,

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<sup>1</sup> On February 7, 2014, through Advice Letter 367-B effective February 27, 2014, the Commission granted DOWC the establishment of a Statewide Lost Revenue Recovery Memorandum Account.

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rationing, and service connection moratoria (“Drought Procedures”) on February 27, 2014 and required that all Class A and B water utilities that had an existing Tariff Rule 14.1 to activate the rule within 30 days of the Resolution’s effective date. The Drought Procedures, in addition to providing steps to be taken when a utility suffers from a water shortage, provided that a utility without a full revenue decoupling Water Revenue Adjustment Mechanism may request to add a Water Conservation Memorandum Account to track lost revenue associated with reduced sales as a result of activating Rule 14.1.

By AL 367-B, effective February 27, 2014, DOWC established a Statewide Lost Revenue Memorandum Account (SLRRMA) to track the lost revenues due to lower sales, revenues from fines, penalties, and surcharges, and drought-related changes in operational costs in all of DOWC’s Districts, as a result of implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan. The SLRRMA includes a provision that accumulated balances will be reduced by a 20 basis point risk reduction, and then further reduced if recovery would cause the district to earn more than its authorized rate of return. This is consistent with the methodology established in D. 90-08-055, D.91-10-042, and Standard Practice U-40 (Commission Policy).

By Advice Letters 448 and 451, Del Oro Water Company (DOWC) has requested authority under General Order (G.O.) 96-B and Section 454 of the Public Utilities Code to increase rates to recover the accumulated balances in its Statewide Lost Revenue Recovery Memorandum Accounts (SLRRMA) for Johnson Park District (DOWCJP) and for the River Island District (DOWCRI), respectively.

The DOWC’s Johnson Park District’s (JP) present rates became effective on April 13, 2016, by approval of Advice Letter (AL) 443, which authorized a Consumer Price Index rate increase.

The DOWC’s River Island District’s (RI) present rates became effective on April 13, 2016, by approval of Advice Letter (AL) 444, which authorized a Consumer Price Index rate increase.

### **NOTICE AND PROTESTS**

AL 448 and AL 451 were served on April 29, 2016, in accordance with the provisions of

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G.O. 96-B. A notice of the proposed rate increase was mailed to all DOWCJP and DOWCRI customers on April 29, 2019.

Five letters questioning the rate increase and complaining about the amount requested were timely received from DOWCJP customers and four such letters were received from DOWCRI customers. One of the letters was signed by 14 customers. The utility replied to all letters in a timely fashion, and to the extent that changes or modifications were necessary, they were incorporated herein.

## DISCUSSION

By AL 448 and AL 451, each filed on April 29, 2016, DOWC seeks to recover the accumulated balance in the SLRRMA from April 1, 2014 through December 31, 2015 in its JP and RI districts, as a result of the DOWC's implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan. .

Water Division (WD) reviewed DOWC's calculations of lost revenues due to lower sales and found them consistent with Commission Policy. WD also reviewed the revenues from fines, penalties, and surcharges, and drought-related changes in operational costs and found them consistent with Commission Policy.

For DOWCJP the accumulated balance after the 20 basis point risk adjustment in the SLRRMA from April 1, 2014 through December 31, 2015 is \$96,074. However, collecting this entire amount for Johnson Park would result in earnings above authorized revenues for that district. For this reason, DOWC limited its request for recovery in JP to \$11,376 consistent with Commission Policy.

For DOWCRI the accumulated balance after the 20 basis point risk adjustment in the SLRRMA from April 1, 2014 through December 31, 2015 is \$55,587. No adjustment is necessary for over-earning in the River Island District. However, staff discovered that some of the charges in operating costs that were initially included in AL 451 had already been accounted for in DOWCRI's purchased water memorandum account recovered pursuant to AL 436 and AL 397. DOWC agreed and adjusted the figures prior to the preparation of this resolution. Therefore, the corrected amount for the SLRRMA in DOWCRI is \$36,418.

The procedure established in D. 91-10-042 provides that the accumulated balance be recovered over a 12 month period. DOWC requested and the WD recommends that the balance of \$11,376 be collected through a surcharge of \$3.31 per month per customer,

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for a period of twelve months, for DOWCJP. This surcharge will not result in a rate of return greater than the last authorized for DOWCJP.

DOWC has requested that the RI surcharge be collected over a period of 18 months to lessen the impact on ratepayers. The WD agrees and recommends the balance of \$36,418 be collected through a surcharge of \$4.71 per month per customer, for a period of eighteen months. This surcharge will not result in a rate of return greater than the last authorized for DOWCRI.

## **COMMENTS**

Public Utilities Code Section 311(g)(1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft resolution was mailed to the utility, all protestants, and made available for public comment on August 12, 2016. No comments were received.

## **SAFETY**

The resolution provides adequate revenues to the utility so that it can provide safe and applicable primary water quality standards set forth by the State Water Resources Control Board.

## **COMPLIANCE**

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

## **FINDINGS**

1. Del Oro Water Company (DOWC) seeks to recover the lost revenues adjusted for drought-related changes in operational costs, as a result of the Johnson Park District's (DOWCJP) and River Island District's (DOWCRI) implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan, as recorded in its Statewide Lost Revenue Recovery Memorandum Account (SLRRMA). The SLRRMA was established on February 27, 2014 by approval of AL 367-B.

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2. By Advice Letters (ALs) 448 and 451, filed on April 29, 2016, for DOWCJP and DOWCRI, DOWC seeks to recover the lost revenues adjusted for drought-related changes in operational costs which DOWC recorded in its SLRRMA from April 1, 2014 through December 31, 2015.
3. DOWCJP incurred and recorded in the SLRRMA from April 1, 2014 through December 31, 2015, a total amount of \$96,074. However, DOWC requested only \$11,376 to avoid over earning for the period.
4. DOWCRI incurred and recorded in the SLRRMA from April 1, 2014 through December 31, 2015, a total amount of \$55,587, revised to \$36,418 after staff discovered that some of the charges in operating costs had already been accounted for in DOWCRI's purchased water memorandum account recovered pursuant to AL 436 and AL 397.
5. ALs 448 and 451 were served on April 29, 2016, in accordance with the provisions of General Order (G.O.) 96-B. A notice of the proposed rate increase was mailed to all DOWCJP and DOWCRI customers on April 29, 2016. Five protest letters were received for DOWCJP and four such letter were received for DOWCRI and the utility replied.
6. DOWC should be permitted to transfer the amounts in its SLRRMA to a balancing account for recovery. There will be separate accounts for each district.
7. DOWC should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$3.31 per month per customer, for a period of twelve months, for DOWCJP and of \$4.71 per month per customer, for a period of 18 months, for DOWCRI.
8. This surcharge will not result in a rate of return greater than the last authorized for DOWCJP or DOWCRI.

### **THEREFORE, IT IS ORDERED THAT:**

1. Del Oro Water Company, Johnson Park and River Island Districts, are permitted to transfer the amounts of \$11,376 and \$36,418, in its Statewide Lost Revenue Recovery Memorandum Account to balancing accounts for recovery over a period of twelve and eighteen months, respectively. Accrued interest at the 90-

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day commercial paper rate may be added on the uncollected amounts from the effective date of this Resolution.

2. Del Oro Water Company, Johnson Park and River Island Districts, are permitted to recover the amounts in the balancing accounts reflected in Ordering Paragraph 1 above by imposing a surcharge of \$3.31 per month per customer, for a period of twelve months and a surcharge of \$4.71 per month per customer, for a period of eighteen months, respectively.
3. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company, Johnson Park and River Island Districts, to file supplemental advice letters with the revised surcharge rate schedules and concurrently cancel its presently effective Schedules, JP-1A, Annual General Metered Service and RI-1, Annual General Metered Service. The effective date of the revised rate schedules shall be five days after the date of this Resolution.
4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at the Public Utilities Commission of the State of California on September 15, 2016; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director

**DEL ORO WATER COMPANY  
ADVICE LETTER 448 AND 451  
SERVICE LIST**

**River Island**

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